

Management Comments

The Corporation posted net income of \$14 million for the first nine months of 2019, an increase of \$1.69 million, or 13.8%, from the first nine months of 2018. Earnings per share increased to \$1.57 for the nine months ended September 30, 2019 compared to \$1.38 for the same period in 2018.

Net interest income was \$38.1 million during the first nine months of 2019, an increase of \$1.45 million or 4.0% over the prior year. The increase was due to an increase of \$2.99 million in interest income on loans and \$0.58 million in interest income on funds held at the Fed, which was partially offset by a \$0.42 million increase in interest paid on deposits and a \$1.63 million decrease in interest income on investments. The increase in interest income on loans was due to both loan growth and an increase in yield on loans.

Non-interest income during the first nine months of 2019 was \$14.38 million, an increase of \$1.80 million or 14.4% from the prior year, which was primarily due to income of \$2.33 million related to death benefits on bank owned life insurance. This was partially offset by a decrease in service charges on deposits of \$0.33 million and a decrease of \$0.18 million in acquisition-related purchase accounting income.

There was no provision for loan losses during the first nine months of 2019 or 2018 due to continued low levels of loan charge-offs, past due loans and the quality of the loan portfolio.

Non-interest expense during the first nine months of 2019 was \$35.48 million, an increase of \$1.91 million or 5.7% compared to 2018. >>>

>>>The increase was primarily due to continued hiring of experienced personnel, branch expansion into Waukesha and upgrades in technology infrastructure.

Income tax expense during the first six months of 2019 was \$2.99 million compared to \$3.35 million for the same period in 2018. The decrease in the effective tax rate from 21.4% to 17.6% is primarily because death benefits on bank owned life insurance are not taxable.

The Corporation's total assets as of September 30, 2019 were \$1.44 billion, an increase of \$47.23 million, or 3.4%, compared to September 30, 2018. The increase in total assets was due to an increase in cash and due from banks, net loans and other assets which was partially offset by a decline in investments. Total net loans increased \$7.11 million, or 0.8%, from \$884.44 million at September 30, 2018 to \$891.54 million at September 30, 2019. Management continues to focus on redeploying the Bank's excess liquidity into higher yielding loans while maintaining our strong credit culture. Core deposits remained stable year over year.

Total shareholders' equity was \$171.48 million at September 30, 2019, an increase of \$25.68 million compared to September 30, 2018. The increase was due to a \$14.11 million increase in retained earnings and a \$11.56 million change in the unrealized market value of investment securities. ▲



Statement of Condition

SEPTEMBER 30, 2019



TriCity Bankshares Corporation



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Dividend Announcement

The Board of Directors declared a dividend of \$0.13 per share payable on November 7, 2019 to shareholders as of the record date of October 28, 2019.

The Corporation has a long history of maintaining capital ratios in excess of the levels required to be considered well capitalized.

The Board will continue to monitor earnings, on-going regulatory requirements and other factors when approving future dividends.

INCOME STATEMENT (unaudited)

	Nine Months Ended		Three Months Ended	
	9.30.19	9.30.18	9.30.19	9.30.18
Interest Income	\$39,885,403	\$38,003,907	\$13,130,807	\$13,084,814
Interest Expense	\$1,778,703	\$1,350,387	\$579,303	\$487,725
Net Interest Income	\$38,106,699	\$36,653,520	\$12,551,503	\$12,597,090
Non-Interest Income	\$14,381,816	\$12,576,399	\$6,143,449	\$4,740,129
Less: Provision for Loan Losses	—	—	—	—
Non-Interest Expenses	\$35,480,039	\$33,566,795	\$11,891,145	\$11,306,808
Income Before Income Taxes	\$17,008,475	\$15,663,123	\$6,803,807	\$6,030,411
Income Tax Expense	\$2,999,500	\$3,349,500	\$1,090,000	\$1,322,500
Net Income	\$14,008,975	\$12,313,623	\$5,713,807	\$4,707,911
Net Income Per Common Share	\$1.57	\$1.38	\$0.64	\$0.53
Dividends Per Share	\$0.39	\$0.36	\$0.13	\$0.12

BALANCE SHEET | SEPTEMBER 30, 2019 & 2018 (unaudited)

Assets	2019	2018	Liabilities & Equity	2019	2018
Cash & Due from Banks	\$112,578,054	\$50,561,951	Non-Interest Bearing Rates	\$316,208,759	\$307,653,806
Total Investment Securities	\$342,485,693	\$379,378,521	Interest Bearing Deposits	\$935,383,664	\$941,185,829
Federal Funds Sold	\$11,557,810	\$10,852,920	Total Deposits	\$1,251,592,423	\$1,248,839,635
Total Loans	\$902,619,490	\$895,444,419	Other Liabilities	\$22,685,537	\$3,884,933
Allowance for Loan Losses	(\$11,077,417)	(\$11,008,851)	Total Liabilities	\$1,274,277,960	\$1,252,724,568
Net Loans	\$891,542,074	\$884,435,568	Common Stock	\$8,904,915	\$8,904,915
Bank Premises & Equipment	\$16,212,178	\$15,750,316	Additional Paid-In Capital	\$26,543,470	\$26,543,470
Cash Surrender Value of Life Insurance	\$37,800,963	\$39,016,779	Unrealized (Loss) on Securities	\$1,602,998	(\$9,961,813)
Other Real Estate Owned	—	—	Retained Earnings	\$134,429,924	\$120,315,011
Other Assets	\$35,582,495	\$18,530,097	Total Stockholders' Equity	\$171,481,307	\$145,801,583
Total Assets	\$1,445,759,267	\$1,398,526,151	Total Liabilities & Equity	\$1,445,759,267	\$1,398,526,151